

BANGLADESH¹

MINIMUM WAGE

There is no national minimum wage in Bangladesh. However, the Minimum Wages Ordinance (Ordinance 34 of 1961), and associated rules, established a Minimum Wages Board, which the government may ask to fix the minimum wages “of any particular industry for which no adequate machinery exists for effective regulation of wages.” In theory, the Board has six months from the date of a request to provide its recommendations for the government to consider. In setting the levels, the Board typically solicits input from employer and worker representatives, visits the work sites of the industry concerned, distributes questionnaires, and holds public meetings.

In November 1990, the government conveyed a request to the Minimum Wages Board to set minimum wage levels in the garment industry. In 1993, the Board made recommendations to the government, and on January 12, 1994, the government promulgated a notification of the minimum wage levels for the industry. There has been no change in these levels since that date. The notification divides employees in the garment industry into seven categories and sets monthly minimum wages for each:

- Grade I: Pattern master; chief quality controller; chief cutting master; chief mechanic: 3,500 takas (Tk) or about 76 U.S. dollars (US\$), at the exchange rate of Tk48.57 equivalent to US\$1.
- Grade II: Senior mechanic; cutting master: Tk2,500 or US\$51.47.
- Grade III: Sample machinist; mechanic; senior sewing machine operator; senior winding machine operator; senior knitting machine operator; senior linking machine operator; senior cutter; senior quality inspector; senior marker; senior drawingman; senior line leader; senior electrician: Tk1,500 or US\$30.88.
- Grade IV: Senior machine operator; winding machine operator; knitting machine operator; linking machine operator; marker; drawingman; cutter; mending operator; senior pressingman; senior finishing ironer; senior folder; senior packer: Tk1,200 or US\$24.71.
- Grade V: Junior sewing machine operator; junior winding machine operator; junior knitting machine operator; junior linking machine operator; junior marker; junior drawingman; junior cutter; junior mending operator; pressingman; finishing ironer; folder; junior electrician; junior packer: Tk1,100 or US\$22.65.

¹Unless noted otherwise, information presented here is from American Embassy—Dhaka, unclassified telegram No. 699 (March 31, 1999).

- Grade VI: Ordinary sewing machine operator; ordinary winding machine operator; ordinary knitting machine operator; ordinary linking machine operator; ordinary mending machine operator; fusing machine operator; color tanning machine operator: Tk900 or US\$18.53.
- Grade VII: Helper sewing machine operator; helper winding machine operator; helper knitting machine operator; helper linking machine operator; helper mending operator; helper cutter; helper marker; helper drawingman; pocket creasing machine operator; line ironer; helper packer; helper dry washer: Tk600 or US\$12.35.

In addition to these seven categories, “trainees or apprentices” receive a monthly salary of not less than Tk500 or US\$10.29. The maximum period of training is set at three months. For workers (like those in the garment industry) paid on a monthly basis, the hourly wage rate for this calculation is set at the monthly wage rate divided by 208.

Under the Factories Act, the workweek is six days of eight hours each per day. The U.S. Department of State has also reported² that a 60-hour workweek, inclusive of 12 hours of overtime, is permitted. Overtime hours are to be paid at double the normal wages, but the law is poorly enforced in industries such as hosiery and ready-made garments.

PREVAILING OR AVERAGE WAGE

According to the Bangladesh Statistical Bureau, in the cotton textile industry, the average daily wage rates for skilled and unskilled laborers in fiscal year 1996-97 (July 1996-June 1997) were Tk81 (US\$1.67) and Tk69 (US\$1.42) per day, respectively. For fiscal year 1995-96, the daily rates were Tk79 (US\$1.63) and Tk68 per day (US\$1.40), and in fiscal year 1994-95, Tk74 (US\$1.52) and Tk63 (US\$1.30), respectively.

However, there is doubt that garment industry wage rates in general meet the legal minimum wage standard. According to independent trade unionists, in the garment industry:

- it is common to pay “trainee” wages well past the maximum three months;
- employees are frequently misclassified by employers so that, for example, an employee who should be a Grade IV senior machine operator is classified as a Grade V junior machine operator, and is paid Tk1,000 per month rather than Tk1,700 per month; and
- overtime is frequently made mandatory, and compensated at rates below even the nominal straight

² U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1876.

hourly salary, rather than at twice the level.

In addition, it is quite common for employees to receive delayed or no pay at all from the many small and weakly capitalized employers who are struggling. While the labor laws in theory provide remedies for all of these violations, the situation in practice is quite different. There are few labor inspectors, and they are frequently corrupt and hampered by the bureaucracy which further erodes enforcement. More than eighty percent of the garment labor force is female, often with few alternatives for employment. Except when conditions become intolerable (as in prolonged nonpayment of wages), employees rarely take action, and action then is more likely to consist of impromptu work stoppages or processions rather than resort to official enforcement organs.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Bangladesh for skilled and unskilled workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.³ Average hours worked per week for skilled and unskilled workers in the manufacturing sector and in the apparel and footwear industries were not available from the ILO. Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel, and Footwear

Skilled Workers:

<u>Year</u>	<u>All Manufacturing</u>		<u>Apparel</u>		<u>Footwear</u>		<u>Real Earnings Index (Tk; 1990=100)</u>		
	<u>(Tk)</u>	<u>(US\$)</u>	<u>(Tk)</u>	<u>(US\$)</u>	<u>(Tk)</u>	<u>(US\$)</u>	<u>Manuf.</u>	<u>Apparel</u>	<u>Footwear</u>
1990	na	na	na	na	na	na	na	na	na
1991	56.11	1.53	33.55	0.92	170.22	4.65	na	na	na
1992	59.87	1.54	36.38	0.93	147.54	3.79	na	na	na
1993	na	na	na	na	na	na	na	na	na
1994	na	na	na	na	na	na	na	na	na
1995	na	na	na	na	na	na	na	na	na
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

³ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

Unskilled Workers:

<u>Year</u>	<u>All Manufacturing</u>		<u>Apparel</u>		<u>Footwear</u>		<u>Real Earnings Index (Tk; 1990=100)</u>		
	<u>(Tk)</u>	<u>(US\$)</u>	<u>(Tk)</u>	<u>(US\$)</u>	<u>(Tk)</u>	<u>(US\$)</u>	<u>Manuf.</u>	<u>Apparel</u>	<u>Footwear</u>
1990	na	na	na	na	na	na	na	na	na
1991	21.80	0.60	19.56	0.53	na	na	na	na	na
1992	23.00	0.59	32.41	0.83	na	na	na	na	na
1993	na	na	na	na	na	na	na	na	na
1994	na	na	na	na	na	na	na	na	na
1995	na	na	na	na	na	na	na	na	na
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

Note: na = not available.

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 899 - 900.

NON-WAGE BENEFITS

According to official regulations, a housing benefit amounting to 30 percent of the monthly wage rate and a monthly medical allowance of Tk150 is to be paid to each employee.

A U.S. Social Security Administration survey⁴ elaborates on three different non-wage benefit programs in which employers with 10 or more employees in Bangladesh are required to participate for their employees: (1) a social insurance program, which provides sickness and maternity benefits, in which the employer pays the total cost and the government provides the hospital facilities; (2) a work injury program, started in 1923, which is an employer liability program for 34 listed occupational diseases, for which the employer pays the total cost; and (3) unemployment insurance, which has been a part of the labor code since 1965, for which the employer pays the total cost. The old age, disability, and death benefits program is a special system for public-sector employees only.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in Bangladesh is an absolute one, calculated on the basis of the ability to purchase sufficient food. The basic poverty line is based on consumption of 2,122 calories per day. The “hardcore” poor are those who cannot afford to purchase at least 1,805 calories per day. In this calculation, an additional 30 percent expenditure is allotted for non-food items. In 1995-96, a monthly expenditure of about Tk550 (US\$11.32) per person was required to be above the poverty line. Inflation, which ran at about eight percent in 1998, has increased these figures; about two-thirds of the Bangladesh consumer price index consists of food items. According to surveys, almost 50 percent of Bangladesh households fall below the

⁴ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), p. 29.

poverty line. Just over 25 percent of all households fall into the hard-core poor category.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization⁵ reports several sets of measures of a national poverty line for Bangladesh:

- ! for 1981/81, 73.8 percent of the rural Bangladeshi population was below the rural poverty line of Tk192 per capita per month (expenditure needed for a daily food energy intake of 2,122 calories), 66.0 percent of the urban population was below the urban poverty line of Tk300 per capita per month (expenditure needed for a daily food energy intake of 2,122 calories), with a national poverty rate of 73.0 percent; for 1988/89, 48.0 percent of the rural and 44.0 percent of the urban population were below the monthly per capita expenditures needed for a food energy intake of 2,122 calories.⁶
- ! for 1983/84, 52.9 percent of the rural Bangladeshi population was below the rural poverty line of Tk268.92 per capita per month (rural cost of basic needs) and 40.9 percent of the urban Bangladeshi population was below the urban poverty line of Tk301.72 per capita per month (urban cost of basic needs), with a national poverty rate of 52.3 percent; for 1991/92, 52.9 percent of the rural population was below the rural poverty line of Tk469.13 per capita per month and 33.6 percent of the urban population was below the urban poverty line of Tk534.99 per capita per month, with a national poverty rate of 49.7 percent.⁷

⁵ Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 24-26.

⁶ The estimates are referenced as originating from the Bangladesh Bureau of Statistics (BBS), *Report of the Bangladesh Household Expenditure Survey 1985/86* (Dhaka, 1988) and BBS, *Statistical Yearbook of Bangladesh* (Dhaka, 1991). The estimates are based on household expenditure surveys and use the food energy intake method to estimate the poverty line in the rural and urban sectors by determining total (food and non-food) expenditures at which the expected daily per capita calorie intake is equal to 2,122 calories. According to Martin Ravallion, "The Challenging Arithmetic of Poverty in Bangladesh," *Bangladesh Development Studies*, Vol. 18, No. 3 (September 1990), pp.35-53, the BBS estimates appear to be based on a comparison of actual household expenditures with estimated expenditures needed to reach 2,122 calories per capita per day. BBS poverty lines, in nominal terms, appear to have been constructed by graphing mean calorie intake against mean income based on grouped data and using this graph to find the income level at which households typically attain the predetermined calorie norm. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 144.

⁷ The estimates are referenced as originating from Martin Ravallion and Binayak Sen, "When Method Matters: Monitoring Poverty in Bangladesh," *Economic Development and Cultural Change*, Vol. 44, No. 4 (July 1996), pp. 761-792. The estimates are based on household expenditure surveys and use the cost of basic needs approach to estimate the poverty line in the rural and urban sectors. The cost of a normative minimum food consumption bundle providing for an average per capita daily intake of 2,112 calories and 58 grams of protein is determined using implicit unit values for food derived from the household expenditure survey (food poverty line) plus 35 percent of the food poverty line in 1983/84 for non-food essentials. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 146.

- ! for 1985, 56.5 percent of the Bangladeshi population was below the poverty line of US\$31 per capita per month, based on 1985 purchasing power parity adjusted US\$ (or Tk262).⁸
- ! for 1985/86, 17.0 percent of the Bangladeshi population was below the poverty line of US\$30.42 per capita per month (i.e., US\$1 per day), based on 1985 purchasing power parity adjusted US\$; for 1988/89, 28.5 percent of the national population was under that poverty line.⁹

According to the World Bank,¹⁰ in 1995-96, 35.6 percent of the national Bangladeshi population was below the national poverty line, with 14.3 percent of the urban population and 39.8 percent of the rural population falling below the poverty line. By comparison, in 1991-92, 42.7 percent of the national population fell below the national poverty line, with 23.3 percent of the urban population and 46.0 percent of the rural population falling below the poverty line.

A recent study¹¹ by the World Bank's Poverty Reduction and Economic Management Network, South Asia Region, reports that the Government of Bangladesh has adopted a new method for measuring poverty. The direct calorie intake (caloric threshold of 2,122 kilocalories per person per day) and food energy intake (expenditure level at which households are expected to reach the caloric threshold of 2,122 kilocalories per person per day) methods have been used in the past for official poverty measures, but, according to the World Bank, they are neither representative nor consistent. The cost of basic needs (expenditure level at which households can afford predetermined basic consumption needs) method, which typically is more consistent and representative, has been used by independent researchers in Bangladesh

⁸ The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 9. It is based on Bangladesh Bureau of Statistics (BBS) *Report of the Bangladesh Household Expenditure Survey 1985/86* (Dhaka, 1988) and internal World Bank data. An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US\$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*, Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 144-145.

⁹ The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper WPS 1146* (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

¹⁰ World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p.196.

¹¹ World Bank, *Bangladesh: From Counting the Poor to Making the Poor Count*, Poverty Reduction and Economic Management Network (Dhaka: World Bank, South Asia Region, April 29, 1998); this report is available on the Internet at: <<http://www.worldbank.org/html/extdr/offrep/sas/bangladesh-poverty/index.htm>>.

and abroad; this poverty measurement method was recently adopted by the Government of Bangladesh, with assistance from the World Bank.

The World Bank report provides the following comparison of the poverty headcount measures (percentage of the population below the poverty line) using the direct calorie intake and the cost of basic needs methods:

Percentage of the Bangladeshi Population below the Poverty Line, 1983/84 to 1995/96

Method/Area	Very Poor (lower caloric threshold/lower poverty line)				Poor (upper caloric threshold/upper poverty line)			
	1983/84	1985/86	1988/89	1991/92	1983/84	1985/86	1988/89	1991/92
	1995/96				1995/96			
<u>Food Energy Intake</u>								
National	36.8	26.9	28.4	28.0	62.6	55.7	47.8	47.5
Rural	25.1				47.5			
Urban	36.7	26.3	28.6	28.3	61.9	54.7	47.8	47.6
	24.6				47.1			
	37.4	30.7	26.4	26.3	67.7	62.6	47.6	46.7
	27.3				49.7			
<u>Cost of Basic Needs</u>								
National	40.9	33.8	41.3	42.7	58.5	51.7	57.1	58.8
Rural	42.6	36.0	44.3	46.0	53.1			
Urban	28.0	19.9	22.0	23.3	59.6	53.1	59.2	61.2
					56.7			
					50.2	42.9	43.9	44.9
					35.0			

Note: Poverty line for the Food Energy Intake Method: lower caloric threshold is 1,800 kcal for 1983/84 and 1985/86; and 1,805 kcal for 1988/89, 1991/92, and 1995/96. The upper caloric threshold is 2,200 kcal for 1983/84 and 1985/86; and 2,122 for 1988/89, 1991/92, and 1995/96. Part of the large decrease in poverty observed for the upper caloric threshold between 1985/86 and 1988/89 is due to the lowering of the caloric threshold for 1988/89 and after. The estimates using the Food Energy Intake Method are from the Bangladesh Bureau of Statistics (BBS), *Summary Report of the Household Expenditure Survey 1995/96* (Dhaka, 1997). Poverty line for the Cost of Basic Needs Method: the food poverty line (cost of a representative, fixed food bundle defined to meet the nutritional norm of 2,122 kcal per person per day) plus either lower (less generous) or upper (more generous) allowances for non-food basic needs, based on households' actual non-food expenditures (i.e., non-food expenditures, where total per capita consumption is equal to the regional food poverty line (lower allowance) and where per capita food expenditures are equal to the regional food poverty line (upper allowance)). The estimates using the Cost of Basic Needs Method were made by World Bank staff.

Source: World Bank, *Bangladesh: From Counting the Poor to Making the Poor Count*, Poverty Reduction and Economic Management Network (Dhaka: World Bank, South Asia Region, April 29, 1998), pp. 6-7; 55-56.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Bangladesh meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the average monthly wage in Bangladesh is sufficient to provide an individual with a minimal standard of living, but is not sufficient to provide a decent

standard of living for a worker and family.¹² The U.S. Embassy did not identify any studies on the living wage in Bangladesh and observed that since poverty studies indicate that half of the people in Bangladesh do not have enough to eat, a “living wage” which would allow for some additional expenditure beyond this absolute level is not often focused on.

¹² U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1876.